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THE FLORIDA LEGISLATURE

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Speaker of the House of Representatives

To: Agency Budget and Planning Officers

From: Lisa Carlton, Chairman
Carlos A. Lacasa, Vice Chairman

Subject: Zero-Based Budget Review Instructions

Date: July 1, 2002

Section 216.1825, Florida Statutes, requires the Legislative Budget Commission (LBC) to apply Zero-Based Budgeting (ZBB) principles to review each agency budget at least once every eight years. Attached are instructions relating to the ZBB review for agencies recommended for the upcoming review cycle.

To assist the LBC with its review, agencies scheduled for review are required to submit the information outlined in the following attachments:

Zero-Based Budget Review Instructions – Describes purpose, authority, and information required of agencies.

APPENDIX A: Timeline/Due Dates
APPENDIX B: Glossary of Terms
APPENDIX C: Service/Budget Entity Review Form
APPENDIX D: Activity Review Form

The following agencies are scheduled for review:

- Environmental Protection
- Lottery
- Highway Safety and Motor Vehicles
- State
- Public Defenders
- State Attorneys
- Children and Family Services (Programs not reviewed in 2001)

Please review these instructions carefully. Information requested from agencies is due no later than September 27, 2002. If you have any questions or concerns relating to this review, please contact the analyst(s) assigned to your agency.

CAL/JH/eh

Zero-Based Budget Review Instructions



July 1, 2002

Legislative Budget Commission

Zero-Based Budgeting Review – Agency Instructions

Purpose:

The Legislative Budget Commission will apply zero-based budgeting principles, in accordance with section 216.1825, F.S., in conducting an in-depth review of the agency base budget, programs and services to determine whether these services are still needed and if so, whether these services could be delivered more efficiently and effectively.

The purpose of this zero-based budget review is to provide an inventory of agency programs, services and activities; including cost, performance, and customer information to support the Commission in making recommendations relative to the following questions:

- Should government continue providing a service and its associated activities at the current level of funding and performance?
- If the service or activity is recommended for continuation, can it be provided more efficiently and effectively?
- Should the activity be reengineered? Should the service or activity be outsourced or privatized if quality is improved or costs decreased?

The purpose of these instructions is to assist each agency in providing information that the Legislative Budget Commission will use in making its recommendations.

Authority:

Section 216.1825, Florida Statutes -- Zero-based budgeting.—

(1) Beginning July 1, 2000, and continuing thereafter, the Legislative Budget Commission shall apply zero-based budgeting principles in reviewing the budget of each state agency at least once every 8 years.

(2) No later than July 1 of each year, the commission shall issue instructions to the agencies whose budgets are to be reviewed prior to the next legislative session. Dates of submission for information required by the commission will be included in the instructions.

(3) The commission shall provide its reports of zero-based budgeting reviews to the President of the Senate and the Speaker of the House of Representatives on or before December 31.

(4) For fiscal year 2001-2002, budgets of the Department of Revenue and the Department of Law Enforcement shall be the subject of zero-based budgeting review by

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the commission. The commission shall, by February 1, 2001, provide to the President of the Senate and the Speaker of the House of Representatives, a schedule for completing zero-based budgeting reviews of all remaining state agencies prior to December 31, 2008.

Principles and Methods:

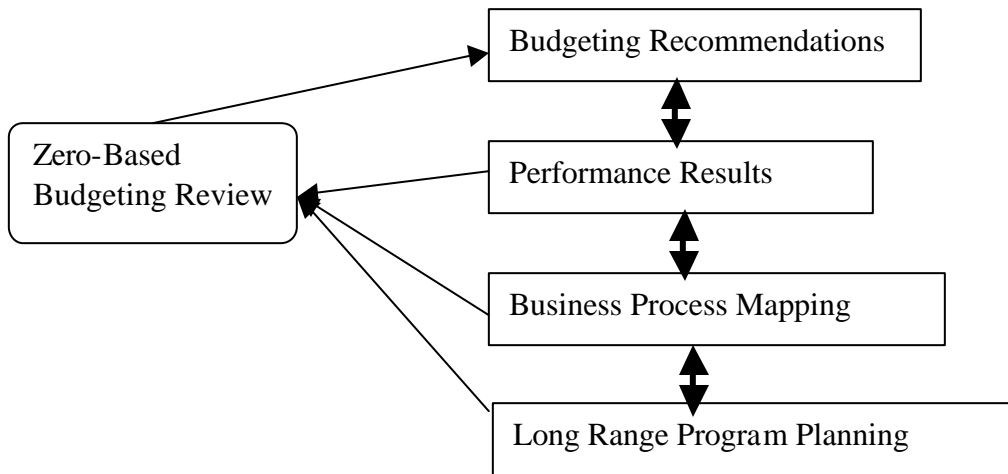
Zero-based budgeting will incorporate principles of current planning, budgeting and accountability efforts to thoroughly review agency services and activities in order to make sound funding decisions.

In order to thoroughly review an agency's activities (business processes), activities must be well defined. These zero-based budgeting instructions assume an agency's activities, as currently defined, and its current information systems will be used to provide the data needed for this analysis. Under zero-based budgeting, cost and performance data will be analyzed extensively.

Measurement systems developed for Performance Based Program Budgeting will provide a foundation of performance data used in zero-based budgeting reviews. The long range planning goals described in agency Long Range Program Plans will be used to justify Activities, Services and Programs. Building on these planning, budgeting and accountability efforts, the Legislative Budget Commission will use the following guidelines to conduct zero-based budgeting reviews:

- Understand why government performs a particular activity, how it works, how it performs and how it should work in the future.
- Determine what activities, services, and programs really cost, and understand what drives that cost.
- Know whether services and activities are meeting performance expectations.
- Determine how activities affect the efficiency and effectiveness of other activities or services throughout state government.

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Information Required from the Agency

Zero-Based Budgeting Review Forms:

The zero-based budget review process requires the agency to enter data related to the agency's services and activities into electronic forms provided in Appendix C and Appendix D. These forms are:

- **Service/Budget Entity Review** – this form requires narrative information, performance and cost data for agency services.
- **Activity/Business Process Review** – this form requires narrative information, performance and cost data for agency activities/business processes.

Additional information required from the agency:

- Organization chart by Budget Entity/Service.
- List of statutes which the agency does not have funding to implement or which may be obsolete.

Six (6) copies of the completed Review Forms and the additional information required are due to the Legislative Budget Commission no later than Friday, September 27, 2002.

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APPENDIX A

Zero-Based Budgeting (ZBB) Time Table for Fiscal Year 2002-2003

Due Date	Action
July 1	Distribute instructions for agency preparation of ZBB documents.
July 1 – September 27	Agencies prepare ZBB information according to instructions.
September 27	Agencies submit ZBB information.
September 27 - November 29	Staff analyzes information, prepares recommendations
November 29	Initial deadline for recommendations.
December	Final approval of ZBB recommendations by LBC.
December 31	Final deadline for ZBB recommendations to be submitted to Speaker and President.

APPENDIX B

GLOSSARY

Activity: A unit of work that has identifiable starting and ending points, and that consumes resources and produces outputs. Activities are the foundation for improving services because costs are reported at the activity level. The mapping of business processes will determine how activities are defined.

Activity Review: The analysis of the activity to determine the causes of variations in performance and cost in order to improve operations.

Benchmarking: Benchmarking is the establishment of a point or points of reference which allow for valid comparisons of cost and performance data to provide a meaningful context for analysis. *Benchmarks can be either internal (comparison's against historical performances) or external (comparisons against other states, national, local government, or private sector cost and performance standards).*

Business Process: See definition for "Activity" above. For the purposes of the zero-based budget review, business processes and activities are synonymous.

Business Process Mapping: Documents the sequence of tasks that different functional units undertake to convert inputs to outputs in order to map business processes. A business process map shows the resources involved, the steps or tasks performed, and the key decisions made.

Business Process Owners: Managers who are in charge of the control and improvement of specific processes.

Business Process Reengineering: The redesigning of a business process to achieve a higher standard of performance or efficiency. Reengineering synchronizes activities across functional boundaries. It forces customer-desired changes. An understanding of how business processes interrelate is critical in eliminating obstacles that slow down work flow within and between activities which is required to satisfy customers. The goal of reengineering is to make the process work faster, better, and cheaper by realigning resources based on the understanding of the needs of customers it is intended to serve.

Service/Budget Entity: A group of related activities or business processes that produces an organization's main products or services. A budget entity is the lowest level to which funds are specifically appropriated in the General Appropriations Act.

Customers: The external users of an organization's products or services and the internal users of an activity or process.

Inputs: The quantities of resources used to produce goods and services and the demand for those goods and services.

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Key Cost Driver: A factor that has a major impact on activity cost. Understanding key cost drivers is important in controlling costs and maximizing efficiency.

Outputs: The actual services or products delivered by a state agency.

Outcomes: Indicators of the impact or public benefit of a service or program.

Outsourcing: Outsourcing describes situations where the state retains responsibility for the service, but contracts outside of state government for its delivery. Outsourcing includes everything from contracting for minor administrative tasks to contracting for major portions of activities or services which support the agency mission.

Privatization: Privatization occurs when the state relinquishes its responsibility or maintains some partnership type role in the delivery of an activity or service.

Value Analysis: A type of analysis that involves assessing activities according to whether they add value to the output of an activity or process. A **value added activity** converts work-in-process in a way that is perceived as beneficial by its customers. **Non-value added** activities are those that can be eliminated with no deterioration of performance and which use resources beyond what is absolutely essential in delivering the product needed by the customer.

Unit Cost: The average total cost of producing a single unit of output (goods and services for a specific agency activity).

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APPENDIX C

{The agency may reference specific page numbers in the LRPP, any OPPAGA reports or other documents or reports formally submitted to the Legislature by September 27, 2002 which specifically answers any question.}

Service / Budget Entity Review: {Service/Budget Entity Name}

Contact:

Phone :

1. Description of Service and Purpose Statement:

- a. What is the purpose and/or mission of this service and why is government providing this service?
- b. What services or goods are produced, by whom (private contract or state employees), to or for whom (customers) and for what purpose (what policy objective)?
- c. Explain how this service relates to the agency's mission.
- d. Explain why this service should be continued. What is the impact if the service were eliminated?
- e. Does the agency have any work flow charts or process maps which it uses to convey what this service does? If so please provide.

2. Performance Accountability:

- a. Outcomes {List outcomes used by agency management that are in addition to legislatively approved outcomes.}
- b. Profile outcome performance over the last 3 years. Address legislatively approved measures and any others used by the agency to manage performance.
- c. Describe internal and external trends and conditions affecting performance related to this service.
- d. Describe any internal benchmarks established for this service (comparison against historical cost and performance) and/or external benchmarks (comparison against another state, national, local government, or private sector cost and performance standards).

3. Summary of Resources – Service Level:

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	FY 2001-2002 Act Exp	FY 2002-2003 Est Exp	FY 2003-2004 Ag Req
General Revenue			
Federal Trust Fund(s)			
State Trust Fund(s)			
Total			
FTE			

{Source of data should be LASPBS. For data that is unavailable at the time of submission, please indicate "N/A".}

4. Summary of Activities:

Priority Ranking	Activities (Business Processes)	FTE	FY 2002-2003 Est Expenditures	Statutory References
1				
2				
3				
4				
5				
6				
7				
See Note	Total Service			

Note: Rank in priority order within this service which activities are most to least critical in meeting the agency's mission and goals statements in the Agency LRPP.

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APPENDIX D

{The agency may reference specific page numbers in the LRPP, OPPAGA reports or other documents or reports formally submitted to the Legislature by September 27, 2002 which specifically answers any question.}

Activity / Business Process Review: {Activity/ Business Process Name}

Activity/ Business Process Owner:

Phone:

1. Description and Purpose:

- Explain the purpose of this activity and why it is being performed. Explain how this activity relates to the agency's mission.
- Describe this activity and why it is an essential component of the overall service being provided by the Budget Entity.
- Provide a list of the major tasks for the activity in process order.

2. Resources for Activity:

	FY 2001-2002 Act Exp	FY 2002-2003 Est Exp	FY 2003-2004 Ag Req
General Revenue			
Federal Trust Fund(s)			
State Trust Fund(s)			
Total			
FTE			

List Federal and State Trust Fund Sources.

{Source of data should be LASPBS. For data that is unavailable please indicate "N/A".}

- Is this activity supported by fees? List the statutory reference authorizing such fees.
- If all or part of the activity is funded from General Revenue, are there other alternatives to funding the activity (increased fees, additional fees, other trust fund sources)?

3. Accountability, Performance, Cost, Efficiency:

- Key Cost Drivers:** Describe the major cost factors associated with the provision of this activity, e.g., what requirements for labor, record keeping, travel, and other expenditures generate the need for resources for this activity. Please describe and include specific dollar amounts.

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- b. In the last 5 years has the activity been reviewed/re-engineered/redesigned or put through a value analysis? If so, describe re-engineering efforts and the efficiencies that were implemented and those which are anticipated for implementation.
- c. Does the agency determine resource needs for this activity based on a standard workload formula(s) (e.g. # of active cases per professional staff)? If so, describe the formula(s) and report agency actual vs. the standard (include the specific numbers used in calculating the actual). Are the workload formula(s) and associated standard(s) recognized by a national or regional accrediting agency or professional organization and used by other governmental entities or the private sector? If not, and the formula(s) and standard(s) are unique to the state of Florida, describe how they were developed.
- d. How many of the FTE identified for this activity are administrative support staff? How many are supervisory staff?
- e. How much funding in this activity is used for OPS, Contract Staff, or Consultants? For FY 02-03, list each use and indicate the number of staff being used and for what purposes.
- f. Are agency administrative costs (e.g. personnel, accounting, Secretary's office, etc) included in the cost identified for this activity? If not, provide an estimate of agency administrative cost associated with the activity.
- g. Please indicate where the FTE identified with this activity are found in the table of organization submitted with the agency's Legislative Budget Request.

4. Customers:

- a. Who are the key customers of this activity?
- b. What product(s) or service(s) are provided to the customer?
- c. Are there any expenditures for this activity which are reserved for certain geographic areas or constituency groups? If an expenditure is reserved, what was the specific spending authority when first appropriated? What is the impact if eliminated?
- d. Are there any funds passed through to other state or local entities which address statewide needs? If so, describe the process, including allocation methodology and formulas used.

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5. Justification of Activity:

- c. Explain why this activity should continue to be funded.
- d. If this activity were no longer funded, what would be the impact over the:
 - Short term (1 yr)?
 - Long term (5 yrs)?
- e. Is all or part of this activity constitutionally, federally or state mandated? If so, explain. Include a reference to the constitutional, federal or state statutory citation.
- f. Do other government entities (state, local, federal) perform this activity? Does the private sector also perform this activity?

6. Privatization, Outsourcing,:

- a. Describe whether this activity has been explored *or should be explored* for outsourcing or privatization. Describe what efforts the agency has taken or that may be taken to outsource the activity. Have any barriers to outsourcing been identified? (i.e., costs, limited vendors, etc.)
- b. Describe current *major* privatization or outsourcing efforts (even if only part of an activity) and include estimated funding for FY 2002-2003.
- c. Is the workload for this activity increasing or decreasing? Describe the impact of an increasing workload on agency operations, if no additional increase in resources is provided.